

An organization established by a labor union to provide strike and lockout benefits to its members may be exempt from Federal income tax as a labor organization under section 501(c)(5) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization established to provide benefits to members of a labor union as described below qualifies for exemption from Federal income tax as a labor organization under section 501(c)(5) of the Internal Revenue Code of 1954.

The organization was formed to provide financial assistance to the members of a labor union who are involved in strikes or lockouts. It is controlled by the executive board of the union.

Funds are derived from dues paid by members and disbursements are made to pay benefits to members who are not working as a result of a strike or lockout.

Section 501(c)(5) of the Code provides for the exemption from Federal income tax of labor organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides that labor organizations entitled to exemption from Federal income taxation are those which (1) have no net earnings inuring to the benefit of any member, and (2) have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Strike benefits are directed to furthering a labor union's primary purpose of representing its members in matters of wages, hours of labor, working conditions, and economic benefits. The payment of such benefits to its members is a proper activity of a labor organization. An organization which is engaged in activities appropriate to an exempt labor union may itself qualify for exemption under section 501(c)(5) of the Code. *Portland Cooperative Labor Temple Association v. Commissioner*, 39 B.T.A. 450 (1939), acquiescence, C.B. 1939-1, 28.

Since this organization is engaged solely in activities which are appropriate for an exempt labor union, it qualifies for exemption under section 501(c)(5) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(5) of the Code, file an application on Form 1024, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.